



ALLIANCE MINERAL
ASSETS LIMITED

All photography by Carla Gottgens

AUSTRALIA'S NEW LITHIUM PRODUCER

Interim Financial Report for the 12 months ended 31 December 2018
Provided to the ASX under Listing Rule 4.2A

CONTENTS

CORPORATE DIRECTORY	3
DIRECTORS' REPORT	4
AUDITOR'S INDEPENDENCE DECLARATION	11
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME	12
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION	13
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	14
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS	16
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS	17
DIRECTORS' DECLARATION	41
INDEPENDENT AUDITOR'S REPORT	42

The financial report covers the consolidated entity consisting of Alliance Mineral Assets Limited and its subsidiaries.

The financial report is presented in Australian dollars unless indicated otherwise.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Geoffrey McNamara	Non-Executive Chairman
Mr Mark Calderwood	Managing Director
Mr Mark Turner	Executive Director
Mr Robert Vassie	Non-Executive Director
Ms Vicki Xie	Non-Executive Director
Mr Johsua Ong	Non-Executive Director
Mr Arnold Chan	Non-Executive Director

COMPANY SECRETARIES

Mr Alexei Fedotov
Ms Joanna Kiernan

PRINCIPAL PLACE OF BUSINESS & REGISTERED OFFICE

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SHARE REGISTER - AUSTRALIA

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SHARE REGISTER – SINGAPORE

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CONTINUING SPONSOR

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16 Collyer Quay
#10-00 Income At Raffles
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AUDITORS

Ernst & Young
11 Mounts Bay Road
Perth WA 6000

BANKERS

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MEDIA RELATIONS

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STOCK EXCHANGE

Australian Securities Exchange
ASX Code: A40

Singapore Exchange Limited
SGX Code: 40F

SOLICITORS

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DIRECTORS' REPORT

The Directors present this Directors' Report and the interim financial report for Alliance Mineral Assets Limited (the **Company**) and its controlled entities (**Alliance or the Group**) for the 12 month period ended 31 December 2018.

The Directors' Report includes the Auditor's Declaration on page 11.

DIRECTORS

The names of Directors of Alliance who have been in office at any time since 1 January 2018 are as follows:

Name	Position	Date of Appointment
Mr Geoffrey McNamara ¹	Non-Executive Chairman	Appointed 14 December 2018
Mr Mark Calderwood	Managing Director	Appointed 14 December 2018
Mr Mark Turner ¹	Executive Director – Operations	Appointed 14 December 2018
Mr Robert Vassie	Non-Executive Director	Appointed 14 December 2018
Ms Vicki Xie	Non-Executive Director	Appointed 14 December 2018
Mr Joshua Ong	Non-Executive Director	Appointed 20 June 2014
Mr Arnold Chan	Non-Executive Director	Appointed 14 December 2018
Ms Suen Sze Man	Executive Director	Resigned 25 June 2018
Ms Pauline Gately ²	Executive Chairperson	Resigned 14 December 2018
Mr Shaun Menezes ³	Finance Director	Resigned 14 December 2018
Mr Mahtani Bhagwandas	Non-Executive Director	Resigned 14 December 2018
Mr Chan Hung Chiu Eddy	Non-Executive Director	Resigned 14 December 2018

¹ On 14 December 2018, Mr McNamara was appointed as a Non-Executive Director and Mr Turner was appointed as Non-Executive Chairman. On 17 December 2018, Mr McNamara was appointed as Non-Executive Chairman and Mr Turner as Executive Director – Operations.

² Ms Gately was appointed Executive Chairperson on 17 August 2018. Prior to this Ms Gately was the Non-Executive Chairperson.

³ Mr Menezes was appointed Finance Director on 25 July 2018.

All Directors have been in office for the entire period unless otherwise stated. Changes to the Board on 14 December 2018 occurred pursuant to the Merger.

COMPANY SECRETARIES

The names of the Company Secretaries in office at any time since 1 January 2018 follows:

Mr Alexei Fedotov	Joint Company Secretary	Appointed 14 December 2018
Ms Joanna Kiernan	Joint Company Secretary	Appointed 14 December 2018
Mr Shaun Menezes	Joint Company Secretary	Resigned 14 December 2018
Ms Fiona Leaw	Joint Company Secretary	Resigned 14 December 2018

The Company Secretaries have been in office for the entire period unless otherwise stated.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) pursuant to ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191. The Company is an entity to which the legislative instrument applies.

MERGER WITH TAWANA RESOURCES NL ("TAWANA")

On 5 April 2018, Alliance announced a merger of equals with Tawana by way of a Tawana members' scheme of arrangement (**Scheme**) pursuant to which, Alliance would acquire all Tawana shares and Tawana shareholders would receive 1.1 new Alliance shares for every 1 Tawana share held at the Scheme record date (**Merger**).

DIRECTORS' REPORT

Tawana and Alliance entered into a Scheme Implementation Agreement (as amended on 6 July 2018) which documented the terms of the Merger.

The Merger was implemented on 14 December 2018, following approval of the Scheme by shareholders of Alliance on 21 September 2018, shareholders of Tawana on 27 November 2018 and by the Federal Court of Australia on 3 December 2018. Following the Merger, the Company is primary dual-listed on the ASX and Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

On implementation of the Merger, Pauline Gately, Shaun Menezes, Mahtani Bhagwantas and Chan Hun Chiu Eddy resigned as Directors of the Company with immediate effect. At the same time, the Company appointed Geoff McNamara as Non-Executive Chairman, Mark Calderwood as Managing Director, Mark Turner as Executive Director – Operations and Non-Executive Directors Robert Vassie, Wei (Vicki) Xie, Joshua Ong and Arnold Chan.

Australian Accounting Standards require that where two or more entities combine through an exchange of equity for the purposes of a combination, one of the entities must be determined to be the accounting acquirer. Alliance is the legal acquirer under the Merger (in that Alliance has acquired all Tawana shares on issue) and is therefore the legal parent company. However, after assessing the guidance under Australian Accounting Standard AASB 3: Business Combinations, in particular, the expected Board and management composition of the merged group, Tawana has been determined to be the accounting acquirer. Accordingly, this business combination has been accounted for as a reverse acquisition. As such, the interim consolidated financial statements of the Merged Group have been prepared as a continuation of the business and operations of Tawana.

Tawana, as the accounting acquirer, has accounted for the acquisition of the business and operations of Alliance from 14 December 2018. The last financial year end of Tawana was 31 December 2017. Alliance (legal acquirer) has a balance date of 30 June and its last financial year end was 30 June 2018. The consolidated entity will now have a 30 June year end. Accordingly, the interim consolidated financial statements represent the accounting period from the last year end of Tawana, 31 December 2017, to 31 December 2018. The comparative information presented in the interim consolidated financial statements is that of Tawana for the 12 month period ended 31 December 2017.

REVIEW AND RESULTS OF OPERATIONS

Following the Merger, the Group holds 100% interest in the Bald Hill Lithium and Tantalum Mine (**Bald Hill Mine**) which is located 50km south east of Kambalda in the eastern Goldfields of Western Australia, about 75km south east of the Mt Marion Lithium Project. The Project area comprises mining tenure totaling approximately 774km².

In July 2018, the Group declared commercial production at the Bald Hill Mine, following a successful commissioning campaign. Set out overleaf is a summary of the production and sales statistics for the 12 months interim period ended 31 December 2018.

DIRECTORS' REPORT



SUMMARY OF PRODUCTION & SALES STATISTICS FOR 12 MONTH PERIOD ENDED 31/12/18

	Units	1 Jan 2018 – 30 June 2018 (pre-production)	1 July 2018 – 31 Dec 2018	1 Jan 2018 – 31 Dec 2018
Waste BCM's	bcm	3,527,826	4,281,905	7,809,731
Total Mined BCM's	bcm	3,677,879	4,561,400	8,239,279
Strip Ratio	W:O	23.5	15.3	18.2
Ore Tonnes (Lithium)	wmt	267,272	601,452	868,724
Ore mined – grade (Lithium)	%Li ₂ O	1.02	0.84	0.89
Ore mined – grade (Tantalum)	ppm	274	246	259
Ore Tonnes (Tantalum)	wmt	126,965	139,209	266,174
Ore mined – grade (Tantalum)	ppm	274	272	273
Processed Tonnes (Gross) of Lithium and Tantalum ore	wmt	273,170	666,896	940,066
Processed Tonnes of Lithium and Tantalum ore*	wmt	176,875	500,638	677,513
Lithium DMS Feed Grade	%Li ₂ O	0.89	0.86	0.87
Lithium Concentrate produced	dmt	17,403	51,143	68,546
Recovery (gross) (inc. stockpiled fines)	%	59	59	59
Recovery (net) (excl. stockpiled fines)	%	72	71	71
Tantalite Produced	Lbs	26,480	68,808	95,288
Throughput (Gross)	Tph	172	204	195
Lithium Concentrate sold	dmt	8,859	41,040	49,899

*(Net of unprocessed stockpiled fines and middlings)

DIRECTORS' REPORT



The key operational achievements at Bald Hill during the 12 months interim period ended 31 December 2018 were as follows:

- Commission of Bald Hill Lithium Plant in February 2018
- Lithium production commenced in March 2018
- First shipment completed in May 2018
- Bald Hill lithium ore reserve and resources upgrade in June 2018
- Commercial production declared in July 2018
- Operations at Bald Hill remain Lost Time Incident free since commencement of commercial production
- Total mining volumes of 8,239,279 bcm for the period
- Ore volume of 1,134,898 for the period
- A total of 6 shipments of lithium concentrate were completed during the 12 months interim period
- Fines optimisation study completed with the detailed design commenced

The loss of the consolidated entity for the 12 month interim period ended 31 December 2018 after providing for income tax amounted to \$40,520,000 (31 December 2017: \$5,078,000) which includes \$13,832,000 of acquisition costs (including stamp duty) associated with the Merger, \$4,059,000 impairment of non-core exploration assets associated with demerger of Cowan Lithium, \$4,687,000 write off of the existing Tantalum processing plant which was placed into care and maintenance in prior periods and is not anticipated to be used as tantalum ore is planned to be processed through the DMS plant, and \$16,464,000 written off in relation to a contract asset recognised on Merger mainly for the difference between fixed offtake price and market reference spodumene pricing which was written off in relation to restructure of the offtake agreement to a floating market price.

No dividends were declared or paid during the 12 months interim period ended 31 December 2018 (31 December 2017: Nil).

HEALTH AND SAFETY

The Group prioritises the health and safety of all its employees and contractors and is committed to providing a safe working environment. Using the Total Recordable Injury Frequency Rate (**TRIFR**) as one of the key methods to monitor safety performance, the Company reports that the Bald Hill Mine TRIFR stands at 1.02.

MINING

Lithium production at the Bald Hill Mine commenced in March 2018 with commercial production declared in July 2018. Mining during the period occurred in Stages 1, 2 and 3 of the pit with ore supply coming from Stages 1 and 2.

A total of 8,239,279 bcm of material including 868,724 wmt of lithium ore at 0.89% Li_2O and 259ppm Ta_2O_5 was mined during the period. An additional 266,174 wmt of low-grade tantalum ore grading 273ppm Ta_2O_5 was also mined.

Continual improvements to vertical advance rates, drill and blast rates and mine dewatering procedures were made during the period which, when combined with a decreased strip ratio and improved grade from the pit for the month of December 2018 and January 2019, resulted in record production for the month of January 2019.

A revised medium-term mining schedule for 2019 and 2020 was completed during the December 2019 quarter to accommodate the increased ore processing rates expected in the third quarter of 2019 as a result of the completion of the Stage 2 plant upgrade.

DIRECTORS' REPORT

PROCESSING

The production of lithium production commenced in March 2018 following the successful commissioning of the Dense Media Separation plant (**DMS**).

The Bald Hill Mine currently produces a high quality spodumene concentrate containing **+6% Li_2O , <0.5% Fe, <0.5% mica, <3% H_2O , <1% K_2O** and >98% of concentrate greater than 1mm.

Processing during the period resulted in a total of 940,066 tonnes of lithium and tantalum ore at 0.76% Li_2O and 234ppm Ta_2O_5 being fed to the plant. From the plant feed, 229,979 tonnes of -1mm fines were stockpiled after removal of tantalum concentrate. The remaining 677,513 tonnes grading 0.87 % Li_2O were processed through the DMS circuit for recovery of 68,546 wmt of spodumene concentrate. Lithium recovery was approximately 71% (net 59%, taking into account unprocessed fines).

A total of 819.50 wmt of tantalum pre-concentrate containing 95,288 lbs of Ta_2O_5 was recovered from fines through the spirals circuit. Commissioning of two tables to upgrade spiral concentrates resulted in the production of concentrates containing 15-40% Ta_2O_5 on site. Work continued to be undertaken at Nagrom Mineral Laboratory in Perth to upgrade pre-concentrates during the period.

Overall, operational metallurgical performance of the DMS has been consistent with the original test work, with high grade concentrates produced and high recoveries to primary concentrates and middlings achieved.

Operational performance of the plant continued to improve during the period with plant availability at 74% as it approached a steady state target of 85%.

STAGE 2 PLANT UPGRADE - FINES CIRCUIT

A metallurgical and engineering study to consider options to increase throughput and recovery was completed during the period.

As a result, work on the Front End Engineering Design (**FEED**) for Stage 2 of the plant upgrade commenced, which involves lowering the DMS bottom size from 1mm to 0.5mm, with the overall effect of this expansion phase being an increase in plant processing capacity from the current 220tph to 300tph.

The flowsheet and equipment selection for the new fines circuit has been finalised and ordering of long lead mechanical equipment items has commenced. It is expected that commissioning of the fines circuit will commence in the third calendar quarter of 2019.

SALES AND MARKETING

During the period, the Group sold 49,899 dmt of spodumene concentrate. This includes 8,859 dmt of spodumene concentrate sold during the development stage of the project.

During the period, Group completed the sale of low-grade tantalum concentrate produced by the Bald Hill Mine between April and July 2018 to Global Advanced Metals Greenbushes Pty Ltd (**GAM**) under a one-off sales contract. A total of approximately 340dmt tonnes of tantalum concentrate at 3.13% Ta_2O_5 was sold to GAM.

In addition, the Group shipped approximately 40 dmt of high-grade tantalum concentrate (approximately 30% contained Ta_2O_5) to H.C. Starck Tantalum and Niobium GmbH (**H.C. Starck**) on an ad-hoc basis. The Company remains engaged with H.C. Starck in relation to entering into a long-term offtake for the high-grade tantalum concentrate production from the Bald Hill Mine.



DIRECTORS' REPORT



EXPLORATION

Limited exploration work was undertaken during the period. The grade control rigs were used periodically to complete selected in-pit resource definition drilling in areas that were not previously available to exploration during the 2017 drill program due to access restrictions.

In addition to the above drilling, some field reconnaissance, mapping and rock chip sampling was undertaken on regional targets across the Bald Hill Mine area.

CORPORATE

Merger with Tawana Resources NL

As outlined above, the Merger with Tawana was implemented on 14 December 2018.

Listing on the Australian Securities Exchange ("ASX")

Pursuant to the Merger with Tawana, the Company sought admission to the official list of the ASX. In late November a prospectus was lodged with the Australian Securities and Investment Commission, and on 5 December 2018 the Company was admitted to the Official list of the ASX and its shares commenced trading.

Capital Raising

The following capital raisings were undertaken by the Group during the period:

Legal parent (Alliance)

- In April 2018 an underwritten placement by Alliance to sophisticated and institutional investors of 76,522,804 fully paid ordinary Alliance shares at \$0.33 per share to raise gross proceeds of A\$25 million

- In July 2018 a placement by Alliance to a substantial shareholder of Alliance, Burwill Holdings Ltd of 13,000,000 fully paid ordinary shares at \$0.33 per share to raise gross proceeds of A\$4.3 million
- In July 2018 a placement by Alliance to institutional investors of 10,875,115 fully paid ordinary shares at a price of \$0.34 cents per share to raise gross proceeds of approximately \$3.6 million

Accounting parent (Tawana)

- In April 2018 a placement by Tawana to sophisticated and institutional investors of 48,780,488 fully paid ordinary Tawana shares at A\$0.41 per share to raise gross proceeds of A\$20 million
- In July 2018 a placement by Tawana to an institutional investor of 12,195,122 fully paid ordinary Tawana shares at A\$0.40 per share to raise gross proceeds of A\$4.9 million

Demerger of Non-Core Assets to form Cowan Lithium Limited

During the period, prior to the Merger, Tawana successfully completed the demerger of its non-core assets to a new wholly owned company Cowan Lithium Limited (**Cowan Lithium**). The demerger and distribution of 85% of the shares in Cowan Lithium was completed on 18 July 2018. The Company no longer has a direct interest in the projects now held by Cowan Lithium, however retains exposure through its 15% shareholding in Cowan Lithium.

Debt Funding

In April 2018, the Company entered into a secured A\$13 million debt funding arrangement (**AMAL Loan Facility**) from a consortium of investors led by Tribeca Investment Partners Pty Ltd and other Australian based professional investment

DIRECTORS' REPORT

funds. The AMAL Loan Facility was repaid subsequent to 31 December 2018 from the draw down the 2nd tranche of the Tawana Loan Facility (see below).

In September 2018, the Group's wholly owned subsidiary, Lithco No.2 Pty Ltd, secured a A\$40 million funding package from a consortium of lenders led by Tribeca Investment Partners Pty Ltd to strengthen balance sheet liquidity (**Tawana Loan**). The funding package comprised of the following:

- A\$20 million secured debt facility for Lithco No.2 Pty Ltd which was drawn down in November 2018; and
- A\$20 million secured line of credit for the Group available post implementation of the Merger. This was drawn down subsequent to 31 December 2018.

Restructure of Offtake

In January 2019 the Group's Lithium Offtake Agreements were transferred from Burwill Lithium Company Limited (**BLCL**) and its parent company Burwill Holdings Limited (**Burwill Holdings**) to Jiangxi Bao Jiang Lithium Industrial Limited (**JBIL**). JBIL is owned 50:50 by BLCL and Jiangte Special Electric Motor Co., Ltd (**Jiangte**). In addition, the Lithium Offtake Agreements were amended, effective 14 January 2019 to, amongst other things:

- Provide for a market linked floating price mechanism
- Remove exclusivity and pre-emptive right, allowing Alliance to diversify its customer base
- Provide for a maximum and minimum tonnage commitment for 2019 – 2022
- Freeze repayments of outstanding interest free offtake prepayments (A\$11.4m)¹ until 2021. Offtake prepayments remain interest free and will be repaid at the rate of 15% of the value of each lithium concentrate shipment from 1 January 2021 until repaid

¹As at the date of the Amended Lithium Offtake Agreement

Consolidation of Financing Arrangements

In February 2019 the Group consolidated its debt facilities into a simplified structure and completed the draw down of the remaining A\$20m of its A\$40 million Tawana Loan. Funds drawn down under the remaining A\$20 million were used to repay the AMAL Loan Facility. Repayment of the AMAL Loan Facility resulted in a simplified debt and security structure, such that the Group now has a single debt facility with one consortium and with a single first ranking security.

Events After Reporting Date

Other than the matters noted above, no matters or circumstances have arisen since 31 December 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

This Directors' Report is made in accordance with a resolution of the Board.



Mark Calderwood
Managing Director



Auditor's Independence Declaration to the Directors of Alliance Mineral Assets Limited

As lead auditor for the review of the interim financial report of Alliance Mineral Assets Limited for the interim period ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Alliance Mineral Assets Limited and the entities it controlled during the financial period.



Ernst & Young



R J Curtin
Partner
15 March 2019

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

For the 12 month period ended 31 December 2018

	Notes	2018 \$'000	2017 \$'000
Revenue			
Revenue from contracts with customers	5	24,716	-
Cost of sales	5	(25,055)	-
Gross loss		(339)	-
 Other income		32	-
Other expenses	5	(43,756)	(8,224)
Profit/(loss) before income tax and net finance expense		(44,063)	(8,224)
 Finance income		188	84
Finance expenses		(1,584)	-
Loss before income tax		(45,459)	(8,140)
 Income tax benefit		4,939	-
Loss after income tax for the year		(40,520)	(8,140)
 Other comprehensive loss			
<i>Items that will be reclassified to profit or loss</i>			
- Exchange differences on translation of foreign operations		23	(177)
- Exchange differences reclassified to profit or loss on distribution of subsidiaries		(1,533)	-
Total comprehensive loss for the year		(42,030)	(8,317)
 Loss per share for the year attributable to the members of Alliance Mineral Assets Limited:			
Basic/diluted loss per share (cents per share)	15	(6.35)	(1.90)

The above interim consolidated statement of profit or loss & other comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 \$'000	2017 \$'000
Assets			
Current assets			
Cash and cash equivalents		13,054	16,375
Trade and other receivables		3,680	5,190
Prepayments and deposits		636	1,116
Inventories	6	36,601	27
Total current assets		53,971	22,708
Non-current assets			
Investment accounted for using the equity method	20	634	-
Exploration and evaluation expenditure	7	71,545	7,660
Property, plant and equipment	8	149,502	41,878
Goodwill		22,383	-
Deposits		395	73
Total non-current assets		244,459	49,611
Total assets		298,430	72,319
Liabilities			
Current liabilities			
Trade and other payables	9	32,968	9,373
Deferred revenue	10	11,437	9,595
Provisions		462	160
Interest bearing liabilities	11	19,154	-
Total current liabilities		64,021	19,128
Non-current liabilities			
Interest bearing liabilities	11	13,294	-
Deferred revenue	10	-	2,905
Provision for rehabilitation	12	7,798	706
Deferred tax liabilities		4,261	-
Total non-current liabilities		25,353	3,611
Total liabilities		89,374	22,739
Net assets		209,056	49,580
Equity			
Contributed equity	13	308,735	108,024
Reserves		6,275	6,990
Accumulated losses		(105,954)	(65,434)
Total equity		209,056	49,580

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 12 month period ended 31 December 2018

	Contributed equity \$'000	Share based payments reserve \$'000	Foreign currency reserve \$'000	Asset revaluation reserve \$'000	Demerger reserve \$'000	Accumulated losses \$'000	Total equity \$'000
At 1 January 2018	108,024	5,428	1,539	23	-	(65,434)	49,580
Comprehensive loss							
Loss for the period	-	-	-	-	-	(40,520)	(40,520)
Other comprehensive income/(loss):							
- Exchange differences on foreign operations	-	-	23	-	-	-	23
- Exchange differences reclassified to profit or loss on distribution of subsidiaries	-	-	(1,533)	-	-	-	(1,533)
Total comprehensive loss for the period	-	-	(1,510)	-	-	(40,520)	(42,030)
<i>Transactions with owners in their capacity as owners:</i>							
Shares issued, net of costs	25,784	-	-	-	-	-	25,784
Shares issued under the Scheme of Arrangement	177,134	1,730	-	-	-	-	178,864
Share based payment transactions	-	449	-	-	-	-	449
In-specie distribution of 85% interest in Cowan Lithium Ltd (note 20)	(2,207)	-	-	-	(1,384)	-	(3,591)
	200,711	2,179	-	-	(1,384)	-	201,506
At 31 December 2018	308,735	7,607	29	23	(1,384)	(105,954)	209,056

The above interim consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Contributed equity \$'000	Share based payments Reserve \$'000	Foreign currency reserve \$'000	Asset revaluation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
At 1 January 2017	73,034	1,094	1,716	23	(57,294)	18,573
Comprehensive loss						
Loss for the period	-	-	-	-	(8,140)	(8,140)
Other comprehensive income/(loss):						
Exchange differences on foreign operations	-	-	(177)	-	-	(177)
Total comprehensive loss for the year	-	-	(177)	-	(8,140)	(8,317)
<i>Transactions with owners in their capacity as owners:</i>						
Shares issued, net of costs	34,990	-	-	-	-	34,990
Share based payment transactions	-	4,334	-	-	-	4,334
	34,990	4,334	-	-	-	39,324
At 31 December 2017	108,024	5,428	1,539	23	(65,434)	49,580

The above interim consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the 12 month period ended 31 December 2018

	Notes	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Cash receipts from customers		20,528	-
Interest received		218	84
Interest paid		(471)	-
Acquisition costs paid		(1,500)	-
Sales proceeds received in advance		-	12,500
Payments to suppliers and employees		(39,704)	(3,715)
Net cash (used in)/provided by operating activities		(20,929)	8,869
Cash flows from investing activities			
Payments for property, plant and equipment		(37,979)	(25,231)
Payments for exploration and evaluation net of rebates		(475)	(7,881)
Cash brought to account upon business combination	3	8,945	-
Proceeds from the sale of lithium concentrate during development phase		4,309	-
Proceeds from disposals of property, plant and equipment		6	-
Payments related to the acquisition of tenements		(97)	-
Net cash used in investing activities		(25,291)	(33,112)
Cash flows from financing activities			
Proceeds from issue of shares		26,973	35,819
Payments for capital raising costs		(1,417)	(2,160)
Proceeds from borrowings		24,961	-
Repayment of borrowings		(5,000)	-
Transaction costs associated with borrowings		(1,817)	-
Cash distributed upon asset distribution	20	(751)	-
Net cash received from financing activities		42,949	33,659
Net (decrease)/increase in cash and cash equivalents		(3,271)	9,416
Cash and cash equivalents at the beginning of the period		16,375	6,959
Effects of exchange rates on cash holdings in foreign currencies		(50)	-
Cash and cash equivalents at the end of the period		13,054	16,375

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the 12 month period ended 31 December 2018

1. Corporate information

The interim consolidated financial statements of Alliance Mineral Assets Limited ("Alliance", "the Parent" or the "Company") and its subsidiaries (collectively, the "Group") for the 12 month period ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 15 March 2019.

Alliance Mineral Assets Limited is a for profit company incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX") and the Catalist Board of the Singapore Exchange Securities Trading Limited.

2. Basis of preparation and changes to the Group's accounting policies

These consolidated interim financial statements are general purpose condensed financial statements prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134: *Interim Financial Reporting*.

In April 2018, the Company announced a proposed merger of equals with Tawana Resources NL ("Tawana"). The Merger was effected on 14 December 2018 by way of a Members' Scheme of Arrangement (the "Scheme") under the Corporations Act 2001. Following implementation of the Scheme, Tawana has become a wholly-owned subsidiary of Alliance ("Merged Group"). This transaction was accounted for as a business combination.

Australian Accounting Standards require that where two or more entities combine through an exchange of equity for the purposes of a business combination, one of the entities must be determined to be the accounting acquirer. Alliance is the legal acquirer under the Scheme (in that Alliance has acquired all Tawana shares) and is therefore the legal parent company. However, after assessing the guidance under Australian Accounting Standard AASB 3: *Business Combinations*, in particular the Board and management composition of the merged group, Tawana has been assessed to be the accounting acquirer. Therefore, the business combination has been accounted for as a reverse acquisition. As such, the consolidated statements of the Merged Group represents the continuation of the operations of the accounting acquirer, Tawana. Tawana, as the accounting acquirer, has accounted for the acquisition of the business and operations of Alliance from 14 December 2018.

The last financial year end of Tawana was 31 December 2017. Alliance (legal acquirer) has a balance date of 30 June and its last financial year end was 30 June 2018. The consolidated entity will now have a 30 June year end. Accordingly, these interim consolidated financial statements represent the accounting period from the last year end of Tawana, 31 December 2017, to 31 December 2018. The comparative information presented in the interim consolidated financial statements is that of Tawana for the 12 month period ended 31 December 2017.

The implications on each of the primary statements is as follows:

- *The interim consolidated statement of profit or loss and other comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows*

For the 12 month period ended 31 December 2018, these statements comprises 12 months of Tawana and 16 days of Alliance. The comparative information comprise 12 months of Tawana.

- *The interim consolidated statement of financial position*

For the period 31 December 2018, the interim consolidated statement of financial position represents the combination of Tawana and Alliance. The comparative information represents Tawana (as 31 December 2017).

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Tawana's annual financial statements as at 31 December 2017 and any public announcements made by Tawana and Alliance during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The annual report of the Group as at and for the year ended 31 December 2017 is available on request from the Company's registered office or at www.allianceminerals.com.au.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the 12 month period ended 31 December 2018

The comparative financial information in the statement of profit or loss has been restated to align to presentation in the current period. The change in presentation in the current period was due to commencement of commercial production during the period. The change in presentation did not impact the total loss for the year ended 31 December 2017.

A. Adoption of new policies

The accounting policies adopted are consistent with those applied by the Tawana in the preparation of its annual consolidated financial statements for the year ended 31 December 2017 other than the adoption of additional accounting policies set out below.

Additional accounting policies adopted on commencement of mining operations and in relation to new transactions during the period:

a) Inventories

Ore stockpiles and finished product are physically measured or estimated and valued at the lower of cost and net realisable value. Net realisable value is the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale.

Cost is determined by using the weighted-average method and comprises direct mining costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting materials into finished goods, based on the normal production capacity. By-products which are considered immaterial are initially measured at net realisable value.

Stores and consumables are valued at the lower of cost and net realisable value. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

b) Stripping (waste removal) costs

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalised as part of the cost of constructing the mine and subsequently amortised over its useful life using a UOP method. The capitalisation of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

Stripping activities undertaken during the production phase of a surface mine (production stripping) are accounted for as set out below. After the commencement of production, further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The cost of such stripping is accounted for in the same way as development stripping (as outlined above).

Production stripping is generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realised in the form of improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a 'stripping activity asset', if the following criteria are met:

- Future economic benefits (being improved access to the ore body) are probable
- the component of the ore body for which access will be improved can be accurately identified
- the costs associated with the improved access can be reliably measured

If any of the criteria are not met, the production stripping costs are charged to profit or loss as operating costs as they are incurred.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the 12 month period ended 31 December 2018

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset.

If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the ore body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place. The Group uses the expected volume of waste extracted compared with the actual volume for a given volume of ore production of each component.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is presented as part of 'Mine properties' in the statement of financial position. This forms part of the total investment in the relevant cash generating unit(s), which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

The stripping activity asset is subsequently depreciated using the UOP method over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the ore body. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

c) Business Combination involving a former joint operation

When the Group acquires an additional interest in a Joint operation such that it gains control, the Group's existing interest in the net assets of the joint operation are carried forward at cost when applying the acquisition method of accounting for the business combination.

d) Disposal group held for distribution

The Group classifies non-current assets and disposal groups as held for distribution if their carrying amounts will be recovered principally through a distribution to shareholders rather than through continuing use. Such non-current assets and disposal groups classified as held for distribution are measured at the lower of their carrying amount and fair value less costs to distribute. Costs to distribute are the incremental costs directly attributable to the distribution, excluding finance costs and income tax expense.

The criteria for held for distribution classification is regarded as met only when the distribution is highly probable, the asset or disposal group is available for immediate distribution in its present condition and management is committed to the distribution which is expected within one year from the date of classification.

Property, plant and equipment is not depreciated or amortised once classified as held for distribution.

Disposal groups classified as held for distribution are presented separately as current items in the statement of financial position

e) Loans and borrowings

Loans and borrowings are initially recognised at fair value net of directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the 12 month period ended 31 December 2018

f) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

All other borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

g) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the consideration over the fair value of the identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination, is, from the acquisition date, allocated to each of the Group's CGUs or groups of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the CGU (group of CGUs) to which the goodwill relates. If the recoverable amount of the CGU (group of CGUs) is less than the carrying amount, an impairment loss is recognised. Impairment losses recognised for goodwill are not subsequently reversed.

New accounting policies applied on adoption of new Accounting Standards:

Revenue from contracts with customers

The Group is principally engaged in the business of producing Spodumene (lithium concentrate). Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue contracts because it typically controls the goods before transferring them to the customer.

(a) Concentrate sales

Spodumene is sold under long term offtake agreements in terms of which the customer is required to purchase all product for the calendar years 2018 and 2019 at a fixed price (subject to minimum quantity and quality specifications). The offtake agreements have Free on Board (FOB) Incoterms and represent the enforceable contract. Pricing for quantities of product from 1 January 2020 will be determined based on the future market price.

Control of the product passes to the customer at a point in time when the Spodumene is physically transferred onto a vessel. As the consideration receivable under the contract is considered to be variable, the Group estimates the variable consideration receivable using the expected value approach. The Group includes in the transaction price the estimated amount of variable consideration to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The transaction price is allocated to completed performance obligations utilising the variable consideration allocation exception.

(b) Contract liabilities

A contract liability, described as deferred revenue on the face of the Consolidated Statement of Financial Position, is the obligation to transfer goods to a customer for which the Group has received consideration from the

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the 12 month period ended 31 December 2018

customer. If a customer pays consideration before the Group transfers goods to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

(c) Significant financing component

The transaction price under the sales contract is only adjusted for the effects of the time value of money if the timing of the customer payment is considered to provide the Group with a significant benefit of financing. The Group applies the practical expedient to not adjust the promised consideration for the effects of a significant financing component where the period between the transfer of the refined gold to a customer and the receipt of the advance is one year or less.

Trade and other receivables (policy applied from 1 January 2018)

Trade receivables are initially recognised at their transaction price and other receivables at fair value. Receivables that are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest are classified and subsequently measured at amortised cost. Receivables that do not meet the criteria for amortised cost are measured at fair value through profit or loss.

The group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises the lifetime expected credit loss for trade receivables carried at amortised cost. The expected credit losses on these financial assets are estimated based on the Group's historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast conditions at the reporting date.

For all other receivables measured at amortised cost, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to expected credit losses within the next 12 months.

The Group considers an event of default has occurred when a financial asset is more than 90 days past due or external sources indicate that the debtor is unlikely to pay its creditors, including the Group. A financial asset is credit impaired when there is evidence that the counterparty is in significant financial difficulty or a breach of contract, such as a default or past due event has occurred. The Group writes off a financial asset when there is information indicating the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

B. Significant accounting judgements, estimates and assumptions

The preparation of the interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim consolidated financial statements for the 12 month period ended 31 December 2018, significant judgments made by management in applying the Group's accounting policies and the key causes of estimation uncertainty were consistent with those applied to the annual consolidated financial statements as at and for the year ended 31 December 2017, except for the additional significant accounting judgments, estimates and assumptions detailed below:

Production start date

The Company assesses the stage of each mine under development to determine when a mine transitions into the production phase, being when the mine is substantially complete and ready for its intended use. The criteria used to assess the mine start date are determined based on the unique nature of each mine development project, such as the

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the 12 month period ended 31 December 2018

complexity of the project and its location. The Company considers various relevant criteria to assess when the production phase is considered to have commenced. At this point, all related amounts are reclassified from mine development to producing mines. Some of the criteria used to identify the production start date include, but are not limited to:

- Level of capital expenditure incurred compared with the original construction cost estimate
- Completion of a reasonable period of testing of the mine plant and equipment for its designed capacity
- Ability to produce ore in a saleable form (within specifications)
- Ability to sustain ongoing production of ores

When a mine development project moves into the production phase, the capitalisation of certain mine development costs ceases and costs are either regarded as forming part of the cost of inventory, expensed, or continue to be capitalised for costs that qualify for capitalisation relating to mining asset additions or improvements, mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

The Company determined that the Bald Hill Mine moved into the production phase in July 2018.

Revenue recognition - Application of the variable consideration constraint

With respect to FOB sales, control of the product is transferred to the customer when the Spodumene is physically transferred onto a vessel as this coincides with the transfer of legal title and the risk and rewards of ownership.

Revenue is initially recognised based on the most recently determined estimate of spodumene concentrate value based on initial external assay and weight results at load port. The Consolidated Entity has determined that it is highly unlikely that a significant reversal of the amount of revenue recognised will occur due to variations in assay and weight results. Subsequent changes in value based on the customer's final assay and weight results are recognised in revenue

In assessing whether the transaction price under the long-term concentrate offtake agreements should be adjusted for the existence of a significant financing component the Group has considered whether the difference between the consideration received and the cash selling price arises for reasons other than the provision of finance. In this regard, the Group concluded that any discount in the arrangement was provided to secure a foundation customer and was therefore provided for reasons other than financing.

By-products

The production of Tantalum is currently considered to be a by-product and not a principle output of the Group's ordinary activities. As the output is not considered to be material Tantalum Concentrate is initially measured at net realisable value. The remaining costs of production, if recoverable, are attributed to the main product.

Stripping (waste removal) costs

Significant judgement is required to distinguish between development stripping and production stripping and to distinguish between the production stripping that relates to the extraction of inventory and that which relates to the creation of a stripping activity asset.

Once the Group has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected volumes (e.g., in tonnes) of waste to be stripped and ore to be mined in each of these components.

Judgement is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Group considers that the ratio of the expected volume (e.g., in tonnes) of waste to be stripped for an expected volume (e.g., in tonnes) of ore to be mined for a specific component of the ore body, is the most suitable production measure.

Functional currency

The functional currency for the parent entity and each of its subsidiaries, is the currency of the primary economic environment in which the entity operates. The functional currency of each entity in the Group is Australian Dollars as this is the currency that mainly influences labour, material and other costs of production.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the 12 month period ended 31 December 2018

Determination of functional currency involves judgement to identify the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Depreciation/amortisation

Estimated economically recoverable reserves are used in determining the depreciation and/or amortisation of mine-specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life-of-mine production. The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves. The calculation of the UOP rate of depreciation/amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on economically recoverable reserves. Changes in estimates are accounted for prospectively.

Impairment assessment

Impairment assessments require the use of estimates and assumptions such as long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, reserves and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs. In such circumstances, some or all of the carrying amount of the assets/CGUs may be further impaired or the impairment charge reduced with the impact recognised in the statement of profit or loss. See Note 5 for additional disclosures relating to impairment recognised during the period.

Inventory

Net realisable value tests are performed at each reporting date and represent the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained gold ounces is based on assay data, and the estimated recovery percentage is based on the expected processing method.

Stockpile tonnages are verified by periodic surveys.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the 12 month period ended 31 December 2018

C. New and amended Accounting Standards and Interpretations adopted by the Group

The Group applied all new and amended Accounting Standards and Interpretations that were effective as at 1 January 2018, including:

AASB 9 Financial Instruments ("AASB 9")

The Group has adopted AASB 9 as issued in July 2014 with the date of initial application being 1 January 2018. In accordance with the transitional provisions in AASB 9, comparative figures have not been restated. AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* ("AASB 139"), bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The accounting policies have been updated to reflect the application of AASB 9 for the period from 1 January 2018.

Measurement and classification

Under AASB 9, debt instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion'). The SPPI test is applied to the entire financial asset, even if it contains an embedded derivative. Consequently, a derivative embedded in a debt instrument is not accounted for separately.

At the date of initial application, existing financial assets and liabilities of the Group were assessed in terms of the requirements of AASB 9. The assessment was conducted on instruments that had not been derecognised as at 1 January 2018. In this regard, the Group has determined that the adoption of AASB 9 has impacted the classification of financial instruments at 1 January 2018 as follows:

Class of financial instrument presented in the statement of financial position	Original measurement category under AASB 139 (i.e. prior to 1 January 2018)	New measurement category under AASB 9 (i.e. from 1 January 2018)
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost
Trade and other receivables	Loans and receivables	Financial assets at amortised cost
Deposits	Loans and receivables	Financial assets at amortised cost
Trade and other payables	Financial liability at amortised cost	Financial liability at amortised cost
Interest bearing loans and borrowings	Financial liability at amortised cost	Financial liability at amortised cost

The change in classification has not resulted in any re-measurement adjustments at 1 January 2018.

Impairment of financial assets

In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. In particular, AASB 9 requires the Group to measure the loss allowance at an amount equal to lifetime expected credit loss ("ECL") if the credit risk on the instrument has increased significantly since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the 12 month period ended 31 December 2018

As at 1 January 2018, the Group reviewed and assessed the existing financial assets for impairment using reasonable and supportable information. In accordance with AASB 9, where the Group concluded that it would require undue cost and effort to determine the credit risk of a financial asset on initial recognition, the Group recognises lifetime ECL. The result of the assessment is as follows:

Items existing as at 1 January 2018 that are subject to the impairment provisions of AASB 9	Credit risk attributes	Cumulative additional loss allowance recognised on 1 January 2018 \$'000:
Cash and cash equivalents and deposits	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable institutions.	-
Trade receivables	The Group applied the simplified approach and concluded that the lifetime ECL for these assets would be negligible and therefore no loss allowance was required at 1 January 2018.	-
Receivable from joint operator	These instruments are on demand and were assessed to attract negligible ECL.	-

Hedge accounting

The Group has not applied not applied hedge accounting.

AASB 15 Revenue from Contracts with Customers ("AASB 15")

The Group has adopted AASB 15 as issued in May 2014 with the date of initial application being 1 January 2018. In accordance with the transitional provisions in AASB 15 the standard has been applied using the full retrospective approach. In this regard, the Group applied a practical expedient and did not restate any contracts that were completed at the beginning of the earliest period presented.

AASB 15 supersedes AASB 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

At 1 January 2017 and 1 January 2018, all enforceable offtake agreements were assessed and it was determined that the adoption of AASB 15 had no significant impact on the Group at the date of initial application. In this regard, the Group considered whether the deferred revenue received under the Bald Hill Lithium Concentrate Offtake agreement contained a significant financing component. The Group concluded that any discount in the arrangement was provided to secure a foundation customer and was therefore provided for reasons other than financing. Accordingly, no discounting has been inputted into the transaction.

The accounting policies have been updated to reflect the application of AASB 15 for the period from 1 January 2018.

AASB Interpretation 22: Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Adoption of Interpretation 22 did not have a significant impact on the Group.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the 12 month period ended 31 December 2018

D. Going concern

The Group recorded a loss of \$40,520,000 and had cash outflows from operating and investing activities of \$46,220,000 for the interim period ended 31 December 2018. The Group had cash and cash equivalents at 31 December 2018 and 14 March 2019 of \$13,054,000 and \$11,620,000 respectively.

During the period, Alliance has worked to bring the Bald Hill Project ("the Project") into production, with the first spodumene (lithium) concentrate production announced on 14 March 2018 and commercial production declared in July 2018. Although the Company has seen an increase in production rates and a decrease in production costs, the Company will be exposed to a high level of cash outflows over the next 12 months due to continued pre-strip activities, expansion of activities including a DMS fines circuit, sustaining capital, exploration activities and stamp duty associated with the Tawana Resources NL merger. Alliance will also be exposed to the normal risks and uncertainties inherent to mining operations such as: the Bald Hill Project failing to perform as expected; higher than expected operating costs; lower than expected customer revenues; key additional infrastructure not coming on stream when required or within budget; and potential equipment breakdown, failures, and operational errors.

In January 2019, the Company restructured its long-term offtake agreement from a fixed price in 2019 (US\$880/t) to a floating price (which has resulted in a lower 2019 selling price), with the ability to secure additional third-party offtake arrangements along with deferral of repayment of prepayments to 1 January 2021. In March 2019, the Company also consolidated and simplified its debt structure reducing two separate facilities with availability totalling A\$53m to a single fully drawn A\$40m facility.

The Directors recognise the need to raise additional funds via equity raisings, new offtake prepayments, or financing facilities to fund ongoing operating, capital and exploration expenditure.

The Directors are satisfied they will be able to raise additional funds as required and thus it is appropriate to prepare the interim financial statements on a going concern basis.

In the event that the Company is unable to obtain sufficient funding for ongoing operating and capital requirements, there is material uncertainty whether it will continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the interim financial statements.

The interim financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that may be necessary should the Company not be able to continue as a going concern.

3. Business Combination

On 5 April 2018, Alliance and Tawana entered into a Scheme Implementation Agreement (as amended) pursuant to which Alliance would acquire all of the Tawana Shares by way of a scheme of arrangement under the *Corporations Act 2001*. The Scheme was implemented on 14 December 2018 which is considered to be the acquisition date.

Both Tawana and Alliance had a 50% interest in the Bald Hill mine in accordance with the Bald Hill Joint Venture Agreement. Tawana accounted for its existing interest in the joint arrangement as a joint operation recognising its share of assets and liabilities. The merger resulted in Tawana (the accounting acquirer) gaining control of the Bald Hill joint operation. In accounting for the business combination, the Group applied its accounting policy to carry forward its existing interest in the net assets of the Bald Hill Project at cost. Accordingly, the deemed consideration transferred is allocated over the net assets acquired which includes Alliance's 50% interest in the net assets of the joint operation.

Implementation of the Scheme consolidates 100% ownership of the Bald Hill Mine. The merger simplifies the ownership structure and operational management of the Bald Hill Mine and enhances the financial capacity of the Merged Group to fund future growth and exploration initiatives.

As discussed in note 2 above, this business combination was accounted for as a reverse acquisition with Tawana being recognised as the accounting acquirer. The fair value of the deemed consideration transferred by the accounting acquirer has been determined based on the sum of:-

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the 12 month period ended 31 December 2018

- (i) the market capitalisation of the legal parent (Alliance) at 14 December 2018, as this best represents the consideration the accounting acquirer would have had to transfer to acquire the legal parent; and
- (ii) the fair value of the Alliance (legal parent's) options on issue at 14 December 2018, which had all vested prior to the acquisition date. These options were fair valued using the Black Scholes valuation model.

The market capitalisation of Alliance was calculated using the listed share price at the date of acquisition. The options were fair valued using a Black Scholes valuation model.

The provisional values of the net identifiable assets acquired and the value of provisional goodwill recognised at the date of acquisition are as follows:

	14 December 2018 \$'000
Cash and cash equivalents	8,945
Other receivables (i)	3,157
Other current assets	196
Inventories	14,333
Property, plant and equipment (ii)	22,655
Contract asset	16,464
Exploration and evaluation expenditure	70,963
Mine property and development (iii)	58,971
	<u>195,684</u>

	14 December 2018 \$'000
Trade and other payables	(13,255)
Deferred revenue	(3,500)
Provisions	(3,875)
Loans and borrowings	(13,037)
Deferred tax liability	(9,200)
	<u>(42,867)</u>
Fair value of identifiable net assets	152,817
Provisional goodwill	22,383
Transaction costs incurred by Alliance which were incurred for the benefit of the acquirer	3,664
Fair value of deemed consideration transferred	<u>178,864</u>

Acquisition date fair value of consideration transferred	
market capitalisation of the legal parent (Alliance)	177,134
Fair value of replacement share-based payment options to be part of the consideration transferred	1,730
Deemed consideration transferred	178,864
<u>Cash inflow on acquisition</u>	
Net cash acquired	<u>8,945</u>

- (i) This presents the gross contractual amount of receivables which are all expected to be recovered.
- (ii) A replacement-cost approach was used to determine the fair value of other property, plant and equipment.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the 12 month period ended 31 December 2018

- (iii) The Group used a discounted cash flow model to estimate the expected future cash flows of the mine, based on the life-of-mine plans. Expected future cash flows are based on estimates of future production and commodity prices, operating costs, and forecast capital expenditures using the life-of-mine plan as at the acquisition date.

Additional resources which were not included in the life-of-mine plan and exploration potential were separately valued based on a market approach by an independent third party expert, evaluating recent comparable transactions and the Yardstick approach and are included above as part of 'Exploration and evaluation expenditure'.

The goodwill of \$22.383 million arises principally because of the following factors:

- a) The ability to capture unique synergies that can be realised by operating the Bald Hill Mine as a single operator instead through a joint arrangement
- b) The requirement to recognise deferred tax assets and liabilities for the difference between the assigned fair values and the tax bases of assets acquired and liabilities assumed in a business combination at amounts that do not reflect fair value

The direct costs associated with the transaction amounting to \$13.83 million have been recognised directly in profit or loss.

The acquired business contributed no revenue and a loss before tax of \$13.24 million to the Group for the period from 14 December 2018 to 31 December 2018.

If the acquisition had occurred on 1 January 2018, the acquired business' contribution to the consolidated revenue and loss before tax for the 12 months period ended 31 December 2018 would have been \$49.43 million and \$53.420 million respectively.

Due to the size, complexity and timing of the acquisition, the acquisition accounting is not yet finalised and accordingly the net assets acquired and liabilities assumed are measured on a provisional basis. If new information obtained within the twelve months from acquisition date about facts and circumstances that existed at the acquisition date identifies adjustment to fair values; or any additional provisions that existed at the acquisition date; then the accounting for the acquisition will be revised.

4. Segment information

Description of segments

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions. For the purposes of segment reporting the chief operating decision maker has been determined as the Board of Directors.

Based upon the current operations of the Group, the Board has identified two operating segments; being Bald Hill and regional exploration in Australia, Liberia and South Africa. Assets are allocated to a segment based on the operations of the segment and the physical location of the asset. During the period the Cowan and regional exploration segments reported in the prior year were combined for internal reporting to the chief operating decision maker and accordingly are now presented as one segment. The comparative information has been updated to align to current period presentation.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the 12 month period ended 31 December 2018

Measurement of segment information

All information presented above is measured in a manner consistent with that in the financial statements.

Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments is as follows:

	Bald Hill \$'000	Regional Exploration \$'000	Total segment \$'000	Unallocated & corporate \$'000	Elimination \$'000	Total \$'000
Segment Revenue for the period ended 31 December 2018						
Revenue from external customers	24,716	-	24,716	-	-	24,716
Segment result for the period ended 31 December 2018	(2,276)	(2,654)	(4,930)	(35,590) ⁽ⁱ⁾	-	(40,520)
Segment assets as at 31 December 2018	287,763	117	287,880	57,156 ⁽ⁱⁱ⁾	(46,606)	298,430
Segment liabilities as at 31 December 2018	(128,599)	(102)	(128,701)	(7,279)	46,606	(89,374)

(i) Includes \$16.46 million in contract asset impairment expense and \$13.83 million in acquisition related costs.

(ii) Includes \$46.6 million of intercompany loans and investments.

	Bald Hill \$'000	Regional Exploration \$'000	Total segment \$'000	Unallocated & corporate \$'000	Elimination \$'000	Total \$'000
Segment Revenue for the period ended 31 December 2017						
Revenue from external customers	-	-	-	-	-	-
Segment result for the period ended 31 December 2017	-	135	135	(8,391) ⁽ⁱ⁾	117	(8,139)
Segment assets as at 31 December 2017	47,485	7,790	55,275	29,910 ⁽ⁱⁱ⁾	(12,866)	72,319
Segment liabilities as at 31 December 2017	(32,657)	(20,483)	(53,140)	(1,315)	31,715	(22,740)

(i) Includes \$4.3 million share-based payment expenditure.

(ii) Includes \$16.37 million cash and cash equivalents and \$12.9 million of intercompany loans and investments.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the 12 month period ended 31 December 2018

5. Revenue and expenses

	2018 \$'000	2017 \$'000
Revenue from contracts with customers		
Sale of Spodumene concentrate under a long-term offtake agreement	24,716	-
Costs of sales		
Tantalum by-product recognised at net realisable value	2,454	-
Site operational expenditure	(22,586)	-
Royalties	(1,416)	-
Depreciation and amortisation	(3,507)	-
Cost of sales	(25,055)	-
Other expenses		
Administrative expense	(1,664)	(815)
Employee benefits expense	(2,633)	(995)
Share-based payment expense	(448)	(4,334)
Compliance and regulatory expense	(693)	(318)
Depreciation expense	(71)	(39)
Exploration expense	-	(164)
Foreign exchange gain	795	-
Acquisition costs	(13,832)	-
Impairment/write-off expense (Note 5a)	(25,210)	(1,559)
	(43,756)	(8,224)

(a) Impairment/write-off expense

The impairment/write-off expense of \$25,210,000 for the period comprises of the following:

	\$'000
Impairment of exploration and evaluation expenditure	(4,059)
Write-off of property, plant and equipment	(4,687)
Write-off of contract asset	(16,464)
Total impairment/write-off expense	(25,210)

Impairment of exploration and evaluation expenditure

The decision to demerge the non-core assets of the Group led the Group to make an assessment of the fair value less costs to distribute (FVLCD) of the Cowan Lithium Project, the Mofe Creek Iron Ore Project and the Avontuur Manganese Project. The FVLCD of exploration and evaluation expenditure was determined based on comparable market transactions. The fair value methodology adopted is categorised as Level 3 in the fair value hierarchy. In determining the FVLCD, estimates were made in relation to the underlying resources and the valuation multiple. As a result, a write-down of \$4,059,000 was recognised to reduce the carrying amount of the assets to their FVLCD. Refer to Note 20 for further details.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the 12 month period ended 31 December 2018

Impairment/write-off of plant and equipment

\$4,687,000 relates to the write-off of the Tantalum processing plant which was placed into care and maintenance in prior periods. It was Company's initial intention to refurbish the existing tantalum plant, however, following optimisation studies for the dense media separation (DMS) plant expansion and a study to refurbish the tantalum plant, it was assessed that extraction of tantalum is more economically viable through modifications of the DMS plant and accordingly, the carrying value of the tantalum plant was written off.

Impairment of contract asset

A contract asset was recognised in relation to an offtake agreement held by Alliance at the date of acquisition (see Note 3) relating to the difference between the fixed offtake contract price and the market reference for spodumene concentrate at the date of the merger. As a result of the restructure of the offtake agreement post acquisition to a floating market price, the value of contract asset has been written off.

	2018 \$'000	2017 \$'000
Finance expense		
Interest expense on borrowings	(1,523)	-
Amortisation of capitalised finance costs	(61)	-
	(1,584)	-

6. Inventories

	2018 \$'000	2017 \$'000
Current		
Stores and consumables	2,663	27
Ore stockpiles (including work in progress) – at cost	10,030	-
Finished product – at cost	23,908	-
Total current inventories	36,601	27

7. Exploration & evaluation expenditure

	2018 \$'000	2017 \$'000
Exploration & evaluation expenditure		
Opening balance	7,660	12,463
Capitalised acquisition expenditure at cost	-	2,541
Amounts capitalised during the period	493	6,748
Acquisition as part of a business combination	70,963	-
Transferred to disposal group held for distribution	(3,451)	-
Write-off of exploration and evaluation asset	(4,059)	(1,559)
Reclassification to mine properties (note 8)	(61)	(12,533)
Total exploration & evaluation expenditure	71,545	7,660

Refer Note 5a for details of current period impairment.

The ongoing carrying value of the Group's interest in exploration and evaluation expenditure is dependent upon the continuance of the Group's rights to tenure of the areas of interest and the results of future exploration and the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 12 month interim period ended 31 December 2018

8. Property, plant and equipment

Reconciliations of the written down values at the beginning and end of the period are set out below:

	Land & buildings \$'000	Plant, furniture & equipment \$'000	Motor vehicles & mobile equipment \$'000	Computer equipment, software & communications \$'000	Assets under construction \$'000	Mine Properties \$'000	Total \$'000
Gross carrying amount at cost							
Opening balance at 1 January 2018	1,090	1,190	109	194	22,887	18,045	43,515
Acquisition as part of a business combination (Note 3)	1,681	16,668	158	337	3,811	58,971	81,626
Additions	72	55	13	87	17,814	24,399	42,440
Transfer from E&E to mine properties (Note 7)	-	-	-	-	-	61	61
Transfers to inventory on commencement of production	-	-	-	-	-	(7,785)	(7,785)
Transfers between asset classes	314	21,411	94	240	(35,538)	13,479	-
Disposals	-	(63)	(46)	(6)	-	-	(115)
Write-offs	-	(4,687)	-	-	-	-	(4,687)
Balance at 31 December 2018	3,157	34,574	328	852	8,974	107,170	155,055
Accumulated depreciation and impairment							
Opening balance at 1 January 2018	269	536	94	20	718	-	1,637
Depreciation capitalised to mine properties	36	52	3	15	-	-	106
Depreciation expense	53	889	10	113	-	3,504	4,569
Transfers between categories	-	718	-	-	(718)	-	-
Disposals	-	-	(41)	-	-	-	(41)
Write-offs	-	(718)	-	-	-	-	(718)
Balance at 31 December 2018	358	1,477	66	148	-	3,504	5,553
Net book value at 31 December 2018	2,799	33,097	262	704	8,974	103,666	149,502

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 12 month interim period ended 31 December 2018

	Land & buildings \$'000	Plant, furniture & equipment \$'000	Motor vehicles & mobile equipment \$'000	Computer equipment, software & communications \$'000	Assets under construction \$'000	Mine Properties \$'000	Total \$'000
Gross carrying amount at cost							
Opening balance at 1 January 2017	-	149	46	9	-	-	204
Additions	1,090	1,059	67	188	22,887	5,512	30,803
Transfer from E&E to mine properties (Note 7)	-	-	-	-	-	12,533	12,533
Disposals	-	(12)	-	(2)	-	-	(14)
Foreign currency translation	-	(6)	(4)	(1)	-	-	(11)
Balance at 31 December 2017	1,090	1,190	109	194	22,887	18,045	43,515
Accumulated depreciation and impairment							
Opening balance at 1 January 2017	-	88	46	9	-	-	143
Additions during the period ¹	251	424	12	-	718	-	1,405
Disposals	-	(12)	-	(2)	-	-	(14)
Depreciation expense	-	-	39	-	-	-	39
Depreciation capitalised to mine properties	18	28	1	14	-	-	61
Foreign currency translation	-	8	(4)	(1)	-	-	3
Balance at 31 December 2017	269	536	94	20	718	-	1,637
Net book value at 31 December 2017	821	654	15	174	22,169	18,045	41,878

Note 1: Additions of accumulated depreciation relate to assets brought to account on a gross cost and accumulated depreciation basis upon commencement of Joint Operations.

Note 2: The carrying value of mine properties and property, plant and equipment have been consolidated into one line "property, plant and equipment" in the current period. Accordingly, the comparative financial information in the statement of financial position has been restated to align to the change in presentation in the current period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 12 month interim period ended 31 December 2018

9. Trade & other payables

	2018 \$'000	2017 \$'000
Current		
Trade payables	23,246	544
Accrued employee benefits	654	46
Accrued interest payable	451	6,195
Other payables	8,617	2,588
Total current trade and other payables	32,968	9,373

10. Deferred revenue

	2018 \$'000	2017 \$'000
Deferred revenue expected to be recognised within one year	11,437	9,595
Deferred revenue expected to be recognised after one year but before 5 years	-	2,905
Deferred revenue expected to be recognised after five years	-	-
Total deferred revenue	11,437	12,500

Deferred revenue relates to two lithium concentrate offtake agreements signed with a subsidiary of Burwill Holdings Limited. The prepayment is interest free and to be repaid from 15% of each lithium concentrate shipment until the prepayment has been repaid. Repayments were frozen in January 2019 until 1 January 2021.

11. Interest-bearing liabilities

	2018 \$'000	2017 \$'000
Current		
Finance leases	178	-
Borrowings (Tawana Loan) ⁽ⁱ⁾	18,976	-
Total current interest-bearing liabilities	19,154	-
Non-current		
Finance leases	272	-
Borrowings (Alliance Loan) ⁽ⁱⁱⁱ⁾	13,022	-
Total non-current interest-bearing liabilities	13,294	-

(i) Tawana Loan

In October 2018 the Company announced that Lithco No.2 Pty Ltd (a wholly owned subsidiary of Tawana) had executed a secured USD funding package equivalent to A\$40 million with a consortium of lenders led by Tribeca Investment Partners Pty Ltd. During October and November 2018, Lithco No.2 Pty Ltd drew down the first A\$20 million tranche of the funding package which was in part used to repay the existing A\$5 million loan from Red Coast Investment Limited borrowed by Lithco No.2 Pty Ltd in early 2018. Interest is payable quarterly in arrears at a rate of 3 month USD LIBOR plus 13%pa with a maturity and single repayment date of 1 July 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 12 month interim period ended 31 December 2018

Under the loan agreement, the Group is required to meet standard financial and non-financial covenants. As at 31 December 2018, the loan was classified as a current liability due to the Company falling outside of a threshold on a production related covenant by 3% as of 31 December 2018, which was subsequently waived by the lenders after the balance sheet date.

On 4 March 2019, the Group drew down the remaining \$20 million. \$13million of the funds drawn was used to repay the Alliance Loan (see below).

Key terms and conditions of the Tawana Loan:

Borrower	Lithco No.2 Pty Ltd, a wholly-owned subsidiary of the Company
Lender	A consortium of lenders led by Tribeca Investment Partners Pty Ltd
Facility Limit	A\$40 million (being fully drawn following draw down of remaining A\$20 million)
Maturity	1 July 2020
Security	First ranking security over all assets of the Alliance and its subsidiaries
Interest Rate	3 months USD LIBOR plus 13% pa
Warrants	Nil
Redemption Premium	2% (on outstanding amount repaid at maturity)
Early Call Premium	5% (on any amounts repaid prior to maturity)
Covenants	<p>Typical covenants for a loan facility of this nature, including:</p> <ul style="list-style-type: none"> • minimum cash covenant of A\$5 million, increasing to A\$15 million from 1 April 2020 (A\$15 million being inclusive of the value of the letters of credit issued to the Company in respect of product shipments) • maintain a ratio of current assets to current liabilities of greater than 1.10 at any time • at any time on or after 31 December 2019, maintain a leverage ratio of not greater than 2.35 • no distributions and capital reductions without consent of the lenders
Events of default	Typical events of default for a loan facility of this nature, including non-payment, insolvency, competing security interests, material failure to meet physical mining targets, change of control or a material adverse event affecting Alliance or its subsidiaries
Events of review	Typical events of review for a loan facility of this nature, including forward looking testing of minimum cash covenants, production deficits, operating expenses overruns, material regulatory authorisations and tripartite agreements

(ii) Alliance Loan

In March 2018 and May 2018 the Company drew down A\$8 million and A\$5 million respectively against a secured syndicated loan with a consortium of lenders led by Tribeca Investment Partners Pty Ltd. Interest is payable quarterly in arrears at an interest rate between 14.11% and 20% with a maturity and single repayment date of 29 March 2020. The loan was repaid in March 2019 with proceeds from the draw down of the 2nd tranche of \$20 million of the Tawana loan.

There are no covenants attached to the AMAL Tribeca Loan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 12 month interim period ended 31 December 2018

12. Provision for rehabilitation

	2018 \$'000	2017 \$'000
Rehabilitation liability		
Opening balance	706	-
Acquired through business combination	3,875	-
Increase in rehabilitation provision during the period	3,100	706
Interest accretion for the period	117	-
Total provisions for rehabilitation	7,798	706

13. Contributed equity

	31 December 2018 Shares	31 December 2017 Shares	31 December 2018 \$'000	31 December 2017 \$'000
Ordinary shares – fully paid	1,305,297,411	504,280,941	310,465	108,024

Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held. At shareholder meetings each ordinary share is entitled to one vote in proportion to the paid-up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

The reconciliation of the movement in the number of shares on issue during the period reflects the fact that although merger of Alliance and Tawana is accounted for as a reverse acquisition, the capital structure of the Group is that of the legal parent entity, being Alliance.

	Number of Shares	\$'000
Opening balance 1 January 2018	504,280,941	108,024
Shares issued during the year	73,806,116	27,028
Capital distribution	-	(2,207)
Impact of reverse acquisition	81,384,850	-
Shares issued by Alliance as consideration for the legal acquisition of Tawana	635,896,010	177,134
Shares issued by Alliance in exchange for Tawana options at date of acquisition (see note 18)	9,929,494	-
Transaction costs relating to share issues during the period	-	(1,244)
Closing balance 31 December 2018	1,305,297,411	308,735

14. Related parties

There were no material changes to related party transactions from the prior reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 12 month interim period ended 31 December 2018

15. Loss per share

	2018	2017
Loss for the period		
Loss used in the calculation of basic and diluted loss per share (\$'000)	40,520	8,140
Weighted average number of ordinary shares ('WANOS')		
WANOS used in calculation of basic earnings per share	638,589,010	428,141,066
Basic & diluted loss per share (cents)	6.35	1.90

The Company had 27,000,000 (31 December 2017: 25,900,000) potential ordinary shares relating to options which are not considered dilutive at the balance sheet date but may be dilutive in future periods.

16. Commitments

	2018 \$'000	2017 \$'000
Operational expenditure commitments		
Not longer than one year	6,332	127
Longer than one year, but not longer than five years	1,888	154
Longer than five years	-	-
Total operational expenditure commitments	8,220	281
Tenement expenditure commitments		
Not longer than one year	680	599
Longer than one year, but not longer than five years	1,335	834
Longer than five years	630	806
Total tenement expenditure commitments	2,645	2,239
Capital expenditure commitments		
Not longer than one year	863	9,899
Longer than one year, but not longer than five years	-	583
Longer than five years	-	-
Total capital expenditure commitments	863	10,482

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 12 month interim period ended 31 December 2018

17. Group Information

Information about subsidiaries

Although the merger has been accounted for as a reverse, Alliance is the legal parent entity of the Group:

Name	Principal Activities	Country of incorporation	% equity interest	
			2018	2017
Alliance Mineral Assets Exploration Pty Ltd	Dormant	Australia	100	-
Tawana Resources NL	Holding Company	Australia	100	-
Lithco No.2 Pty Ltd ¹	Mine development	Australia	100	-
Tawana Gold Pty Ltd ¹	Dormant	Australia	100	-
Waba Holdings Pty Ltd ¹	Holding company	Australia	100	-
Archean Liberia Inc. ¹	Dormant	Liberia	100	-
Tawana Resources SA Pty Ltd ¹	Mineral exploration	South Africa	100	-

¹Subsidiaries acquired as a result of the business combination with Tawana Resources NL.

18. Share based payments

In accordance with Scheme Implementation Agreement, each Tawana option holder entered in an Option Cancellation Deed under which, conditional on the Scheme becoming Effective, the holder agreed that its Options will be cancelled automatically on the Merger implementation date in exchange for share in AMAL in accordance with formula detailed in the Scheme Implementation Agreement (as amended).

During the period, 18,693,880 Tawana options on issue were cancelled in accordance with the respective Option Cancellation Deed in exchange for an aggregate of up to 9,929,494 AMAL Shares.

The cancellation of the 18,693,880 Tawana options and issue of 9,929,494 AMAL Shares is considered to be a modification of a share based payment arrangement. The modification of a share based payment arrangement did not result in an incremental benefit to the holder.

19. Contingent liabilities

Certain tenements held by the Group are subject to a royalty equal to 2.5% of the sale of all finished processed material of tantalum and tin and 5% of the sale of all finished processed materials other than tantalum and tin mined and extracted from those tenements. In accordance with the Group's accounting policy these royalty obligations are accounted for as contingent liabilities. The Group's resource estimate arises from tenements that are not subject to this royalty.

On 19 October 2018, the Company announced that the Company's former Executive Director Suen Sze Man and Chief Executive Officer Tjandra Adi Pramoko (**Former Executives**) commenced proceedings in the Supreme Court of Western Australia against the Company seeking, among other things, the issue to each of them 3,750,000 ordinary shares in the Company as compensation arising from their previous services rendered to the Company (Compensation Shares) or damages in lieu. As announced on 25 June 2018, the resolutions pertaining to the proposed issue of the Compensation Shares to the Former Executives were defeated by shareholders at the extraordinary general meeting of the Company held on 25 June 2018. The Group is defending the proceeding and considers that the likely hood of any outflow of economic benefits is remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 12 month interim period ended 31 December 2018

20. Demerger of Cowan Lithium Limited

At an extraordinary general meeting held on 6 July 2018, Tawana shareholders approved all resolutions required to give effect to the demerger of Cowan Lithium Limited ("Cowan Lithium"), a previously wholly-owned subsidiary of the Group. The demerger was achieved through a capital reduction satisfied by way of a pro rata in-specie distribution of 85% of the fully paid ordinary shares in the capital of Cowan Lithium to Tawana shareholders. The split of the capital reduction between contributed equity and demerger reserves was \$2,207,000 and \$1,384,000 respectively

The decision to demerge the non-core assets of the Group led the Group to make an assessment of the fair value less costs to distribute (FVLCD) of the Cowan Lithium Project, the Mofe Creek Iron Ore Project and the Avontuur Manganese Project. The FVLCD of exploration and evaluation expenditure was determined based on comparable market transactions. The fair value methodology adopted is categorised as Level 3 in the fair value hierarchy. In determining the FVLCD, estimates were made in relation to the underlying resources and the valuation multiple. As a result, a write-down of \$4,059,000 was recognised to reduce the carrying amount of the assets to their FVLCD.

The fair value of the assets to be distributed amounted to \$3,591,000 and comprised of the following:

	6 July 2018 \$'000
Cash and cash equivalents	751
Other receivables	2
Prepayments	4
Property, plant and equipment	19
Exploration and evaluation expenditure	3,451
Accruals	(2)
	4,225
Less: 15% interest retained	(634)
Fair value of assets distributed	3,591

Tawana holds a 15% interest in the share capital of Cowan Lithium and has the right to participate in future issues of securities by Cowan Lithium as necessary to maintain its proportionate interest in the future (subject to any ASX waivers, if required). In addition, for so long as Tawana holds at least a 10% interest in the share capital of Cowan Lithium, it has the right to appoint a nominee director to the board of Cowan Lithium. This retained interest has been accounted for as an interest in an associate and equity accounting applied.

21. Fair values of financial assets and financial liabilities

All of the Group's financial assets and financial liabilities are measured at amortised cost, which approximates fair value with the exception of the Tawana Loan and Alliance Loan which were considered to have a fair value of \$33,492,000 at 31 December 2018. The fair value measurement is classified as Level 3 on the fair value hierarchy. The fair value of the project loan was calculated by discounting future cash flows at the prevailing market interest rate at 31 December 2018 of 22.51%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 12 month interim period ended 31 December 2018

22. Events occurring after the reporting period

Restructure of Offtake

In January 2019 the Group's Lithium Offtake Agreements were transferred from Burwill Lithium Company Limited (BLCL) and its parent company Burwill Holdings Limited (Burwill Holdings) to Jiangxi Bao Jiang Lithium Industrial Limited (JBILIL). JBILIL is owned 50:50 by BLCL and Jiangte Special Electric Motor Co., Ltd (Jiangte). In addition, the Lithium Offtake Agreements were amended, effective 14 January 2019 to, amongst other things:

- Provide for a market linked floating price mechanism
- Remove exclusivity and pre-emptive right, allowing Alliance to diversify its customer base
- Provide for a maximum and minimum tonnage commitment for 2019 – 2022
- Freeze repayments of outstanding interest free offtake prepayments (A\$11.4m)¹ until 2021. Offtake prepayments remain interest free will be repaid at the rate of 15% of the value of each lithium concentrate shipment from 1 January 2021 until repaid

Consolidation of Financing Arrangements

In February 2019 the Group consolidated its debt facilities into a simplified structure and completed the drawdown of the remaining A\$20,000,000 of its A\$40,000,000 Tawana Loan. Funds drawn down under the remaining A\$20,000,000 were used to repay the Alliance Loan. Repayment of the Alliance Loan resulted in a simplified debt and security structure, such that the Group now has a single debt facility with one consortium and with a single first ranking security.

No other matters or circumstances have arisen since 31 December 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

This is the end of the Financial Report.

¹ As at the date of the Amended Lithium Offtake Agreement

DIRECTORS' DECLARATION

For the 12 month interim period ended 31 December 2018

In accordance with a resolution of the Directors of Alliance Mineral Assets Limited, I state that:

In the opinion of the Directors:

- (a) the interim financial statements and notes of Alliance Mineral Assets Limited for the period ended 31 December 2018 are in accordance with the Corporations Act, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the 12 month interim period ended on that date;
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) subject to the achievement of the matters set out in note 2D, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board



Mark Calderwood
Managing Director

15 March 2019

Independent auditor's review report to the members of Alliance Mineral Assets Limited

Report on the interim period financial report

Conclusion

We have reviewed the accompanying interim-financial report of Alliance Mineral Assets Limited (the Company) and its subsidiaries (collectively the Group), which comprises the interim consolidated statement of financial position as at 31 December 2018, the interim consolidated statement of profit or loss & other comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the 12 months ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the interim period financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the 12 months ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter - material uncertainty related to going concern

We draw attention to Note 2D in the interim period financial report which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the interim period financial report

The directors of the Company are responsible for the preparation of the interim period financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the interim period financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim period financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the interim period financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the interim period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim period financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young



R J Curtin

Partner

Perth

15 March 2019



ALLIANCE MINERAL
ASSETS LIMITED

(Company Registration Number: ACN147393735)
(Incorporated in Australia on 6 December 2010)

